

U.S.-CAFTA-DR Free Trade Agreement **Delaware Farmers Will Benefit.**

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Exports of farm products help boost Delaware's farm prices and income. Such exports help support about 1,880 jobs both on and off the farm in food processing, storage, and transportation. In 2003, Delaware's farm cash receipts were \$760 million, and agricultural exports were estimated at \$119 million, putting its reliance on agricultural exports at 16 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Delaware's exports of agricultural products.

Delaware Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including Delaware's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

Poultry. Contributing over 70 percent of the state's farm cash receipts at \$543 million and as the state's leading export sector, Delaware poultry producers benefit from the FTA.

- U.S. poultry exporters currently face duties as high as 164 percent on both fresh and frozen products, and the WTO permits duties as high as 250 percent.
- Each CAFTA-DR country will provide immediate duty-free access on chicken leg quarters, a product where the United States is the world's most competitive exporter, through country-specific TRQs that expand annually as duties are eliminated in 17 to 20 years.
- Costa Rica and the Dominican Republic will establish duty-free TRQs for chicken leg quarters totaling 850 metric tons, each expanding by 10 percent annually. The other four Central American countries will establish a total regional duty-free TRQ of 21,810 metric tons (with individual country minimum quota levels). After year 12, the TRQ quantity will be no less than 5 percent of regional chicken production.
- Duties on poultry products such as wings, breast meat and mechanically de-boned poultry meat will be reduced more quickly, with many eliminated within 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The National Chicken Council, the USA Poultry and Egg Export Council, and the National Turkey Federation have expressed support publicly for the CAFTA-DR FTA.*

Soybeans and Products. As the state's 2nd leading source of state farm cash receipts at \$36 million and the 4th largest export sector, Delaware soybean producers benefit from the FTA.

- Central American and Dominican import duties range from zero to 20 percent, and the WTO permits duties as high 90 percent.
- CAFTA-DR countries will provide immediate duty-free access for soybeans. Duties on soybean meal and flour will be eliminated immediately in most CAFTA-DR countries.
- Most CAFTA-DR countries will immediately eliminate duties on crude soybean oil, and the current duties on refined soybean oil phased out over 12 to 15 years.
- *The American Soybean Association, the National Grain and Feed Association, and the National Oilseed Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Corn. Providing the state's 3rd largest source of farm cash receipts at nearly \$35 million, Delaware corn producers benefit from the FTA.

- U.S. corn exporters face duties up to 35 percent, and the WTO permits duties as high as 75 percent.
- Costa Rica and the Dominican Republic will eliminate their duty on yellow corn immediately. The other countries will provide preferential access through individual duty-free TRQs totaling 1,151,259 metric tons initially, growing by 5 percent per year as the over-quota duties are phased out over 15 years (10 years in the case of Guatemala).
- All currently applied duties on corn products (including corn flour, corn gluten feed, corn oil and high fructose corn syrup) will be phased-out in 15 years.
- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the U.S. Grains Council, and the North American Millers Association have expressed support publicly for the CAFTA-DR FTA.*

Dairy. Contributing \$18 million in state farm cash receipts, Delaware dairy producers benefit from the FTA.

- U.S. dairy exporters currently face duties as high as 60 percent, and the WTO permits duties as high as 100 percent.
- Each country will establish duty-free TRQs for certain dairy products totaling over 10,000 metric tons across the six countries – and each will receive the same level of TRQ access for dairy products entering the United States.
- TRQs will grow by 5 percent per year for the Central American countries and 10 percent per year for the Dominican Republic, with certain dairy products subject to safeguards during the phase-out period.
- All Central American and Dominican duties will be eliminated within 20 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Potatoes and Products. With over \$8 million in farm cash receipts, Delaware's potato producers benefit from the FTA

- U.S. exporters currently face duties around 15 percent (duties on sensitive products may be higher), and the WTO permits duties as high as 60 percent.
- All duties on potatoes will be eliminated over 15 years, except for fresh potatoes in Costa Rica, where liberalization will occur through expanded TRQ access with an initial quantity of 300 metric tons.
- Four Central American countries will provide immediate duty-free access for frozen french fries, while the Dominican Republic will phase-out duties over 5 years.
- Access for frozen french fries into Costa Rica will entail a 6 year tariff phase-out with a 2,631 metric ton TRQ growing at a 5 percent compounded rate.
- *The National Potato Council, the American Potato Trade Alliance, Washington State Potato Commission, the American Frozen Food Institute, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Wheat. As the state's 3rd largest export sector, Delaware wheat producers benefit from the FTA.

- U.S. grain suppliers will benefit from zero duties immediately on wheat in all six countries, as well as on some processed grain products.
- The WTO generally permits duties up to 60 percent, but can exceed 100 percent.
- *The National Association of Wheat Growers, the National Grain and Feed Association, the National Grain Trade Council, the North American Export Grain Association, the U.S. Grains Council, the U.S. Wheat Associates, and the Wheat Export Trade Education Committee have expressed support publicly for the CAFTA-DR FTA.*